IMPACT ON DISABILITY AND SURVIVORS BENEFITS

Social Security is more than just a retirement program. In 2002, 14 million people – or about 30 percent of all Social Security beneficiaries – were receiving Social Security benefits because they or a family member are severely disabled or because a family member has passed away. Moreover, it is estimated that a twenty-year-old today has a 1 in 6 chance of dying before reaching retirement age and a 3 in 10 chance of becoming disabled before reaching retirement age, making survivors and disability insurance just as important in the future as they are today.

- For a 27-year-old worker with a spouse and two children, Social Security provides the equivalent of a $403,000 life insurance policy or a $353,000 disability insurance policy. The vast majority of workers would be unable to obtain similar coverage through private markets.

- In 1996, only 26 percent of private-sector employees had long-term disability coverage under employer-sponsored insurance plans. (GAO)

- In the case of retirement benefits, workers would accumulate balances in their individual accounts over their entire careers. In the case of survivors and disability benefits, balances would accumulate over much shorter periods of time and would, therefore, provide much less income in the event that a worker dies or becomes disabled.

- In January 2001, after examining a number of privatization plans, the GAO concluded, "the income from [workers' individual accounts] was not sufficient to compensate for the decline in the insurance benefits that disabled beneficiaries would receive."

- The President's Social Security commission recommended cutting disability benefits to help pay for the cost of private accounts. Also, it barred access to the accounts prior to retirement age. This represents a double blow for disabled workers – reduced Social Security benefits, and no money from the accounts to cushion the loss.

- If the survivors and disability insurance elements of the program were insulated from benefit cuts, then much larger cuts in retirement benefits would be necessary to achieve the same overall level of cost reductions – reductions which are necessary because of the loss of the Trust Funds' revenue to the individual accounts.